

**Procurement's
Purchasing Card Program:
Efficiency is Achieved but
More Oversight and Updated
Guidelines are Needed**

February 2022

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February 18, 2022

To the Honorable Chairwoman
of the Board of Supervisors
of the County of Milwaukee

We have completed an audit, *Procurement's Purchasing Card Program: Efficiency is Achieved but more Oversight and Updated Guidelines are Needed*. A response from the DAS-Procurement Division is attached as **Exhibit 2**. We greatly appreciated the cooperation extended by the DAS-Procurement during the course of this audit.

We conducted a review of the credit card program operated by Procurement which started in 2000. This audit reviews 2018 to 2020 and the issuance of purchasing and travel cards, transactional data for purchasing cards, and post-transaction record retention and oversight for purchasing cards. Under the County's new financial system, the travel card program is now under the Payroll Services Division. A later report will review the transactional data for travel cards and post-transaction record retention and oversight of the travel card program.

We found the issuance of cards followed Procurement's *Policy and Procedure Manual for Purchasing/Travel Cards* with few exceptions. Our review of transactional data for the purchasing cards found the biggest issues to be with the use of internet service providers such as PayPal, payment of sales tax, and consideration of an increase to the \$2,000 limit. There was no documented system to track when approval was granted to departments to vary from the purchasing policies identified in the manual. We also conducted a review of the post-transactional record retention and found multiple areas that require additional oversight by both Procurement and departmental staff.

We made ten recommendations that we believe will help the County address the issues raised in the report. Please refer this report to the Audit Committee.

Jennifer L. Folliard

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Attachment

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Milwaukee County Board of Supervisors
David Crowley, Milwaukee County Executive
Aaron Hertzberg, Director, Department of Administrative Services
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Why We Did This Audit

We conducted a review of the issuance of purchasing and travel cards and the transactional data for purchasing cards along with post transactional record retention and oversight. The audit was requested by the Comptroller.

What We Recommend

ASD made 10 recommendations that, if implemented, will address the issues raised in the audit. Key items include:

- *Procurement implement written procedures to review the cardholder and card coordinator list on at least an annual basis to ensure no cardholder is also functioning as a card coordinator and that the listing of card coordinators is accurate and up-to-date.*
- *Procurement implement written procedures to ensure all training is complete prior to issuance of a purchasing card.*
- *Procurement review the current allowable P card limit to determine if it is appropriate to update the existing ordinance to increase the per-purchase limit.*
- *Procurement review and confirm that the use of an internet payment provider remains an inappropriate use, continue to explore the ability to automatically block internet payment providers in the system and include this item in the P Card training.*
- *Procurement establish a process to review potential chaining purchases and provide additional training for both cardholders and card approving supervisors on the prohibition on chaining of purchases to exceed the card limit.*
- *Procurement continue to stress in its training program and its manual the tax exempt status and search for solutions that would allow for an easier review of sales tax paid.*
- *Procurement establish a documented procedure for departments to request approval to the exceptions to the P Card policy and establish written policies and procedures to track when exceptions to the policy are granted.*
- *Procurement work with CBPD to inform and assist departments in utilizing TBE vendors when making local purchases on the P card.*
- *Procurement work to design a review process or training program for card coordinators to ensure proper record retention and review of required signatures and for card approving supervisors to ensure that proper review of purchases at the departmental level is occurring and purchases are appropriate.*
- *At least once a year Procurement should conduct a system wide review to flag any potential inappropriate purchases and seek departmental clarification on questionable purchases.*



February 2022

Procurement's Purchasing Card Program: Efficiency is Achieved but More Oversight and Updated Guidelines are Needed.

BACKGROUND

In 2000 the County instituted a purchasing card (P card) program establishing credit cards for the use of employees for County expenses for both general purchases and travel. In 2020, card activity totaled over \$3.9 million with an allowable purchase value of \$2,000 per transaction. An audit of the credit card program was requested by the Comptroller. This audit reviews 2018 to 2020 and the issuance of purchasing and travel cards, transactional data for P cards, and post-transaction record retention and oversight. Under the County's new financial system, the travel card (T card) program is now under the Payroll Services Division. A later report will review the transactional data for T cards and post-transaction record retention and oversight of the T card program.

OVERALL OBJECTIVE

Our overall objective was to evaluate the adequacy of internal controls, policies, procedures and processes of the program, determine compliance with purchasing guidelines and how purchases are approved, if any improper purchases occurred and evaluate the termination of purchasing cards.

WHAT WE FOUND

- We found no issues between the list of cardholders at U.S. Bank and Procurement and found almost 100% compliance with the requirement that cardholders and card coordinators are full-time employees.
- We found one cardholder who was also listed as the card coordinator for the same card and 9 instances were cardholders served as card coordinator for other cards within their department. The P card program does not allow an employee to be both a cardholder and a card coordinator.
- We reviewed the issuance of 133 new cards for compliance to the requirements in the Policy and Procedure Manual and found minimal issues with the completion of the required forms, however, we found 13 out of 110 cardholders did not complete their training prior to their first transaction on the card. Of 133 new cards, 110 were issued to individuals because some cardholders have both a P card and a T card.
- We reviewed the transactional data and found no charges placed upon a closed card.
- We found 63% of the purchases to be within the State of Wisconsin. 33% were within Milwaukee County.
- The two largest categories of spending on the P card are for Vehicle Expenses with \$2.1 million and Wholesale Trade expenses, such as Home Depot, Lowe's and Menards, with expenses of \$5.7 million during 2018 to 2020.
- The State of Wisconsin and the City of Milwaukee have a maximum per transaction limit of \$5,000 on their P cards. Milwaukee County's limit is \$2,000. A department needs to spend \$2,428 to procure the same items it could have bought in 2012 for \$2,000.
- We did a judgment sample review and found six of the 11 departments in our sample to have used an internet payment provider which is prohibited. Overall, we found payments of \$108,598 to PayPal during 2018 to 2020.
- Chaining is a prohibited practice where a cardholder breaks a purchase into multiple payments to avoid the \$2,000 per transaction limit. We found 14 instances of possible chaining in our sample totaling \$57,397. An example of chaining was two purchases from the same vendor of 20 LED 150-Watt bulbs for \$2,000 on January 19, 2018 with a total purchase cost of \$4,000.
- We attempted to review if any sales taxes were paid on P card purchases, but found the only mechanism to review for sales tax was a manual review of invoices submitted by departments. We conducted a sample review and found less than \$150 paid in sales tax on over \$900,000 in purchases.
- The use of P cards by departments at times included purchases that appear to be in conflict with the manual but are consistent with the goal of the program to provide efficiencies to the County's purchasing program. We found a lack of documentation that exceptions to the allowed use of the P card were granted.
- Only one department of the 11 we interviewed indicated they perform the required step of checking multiple sources to ensure the County is receiving the best price.
- None of the 11 departments we interviewed indicated they solicit Targeted Business Enterprise vendors to attempt to meet the 4% goal as stated in the manual.
- We requested detailed documentation from 92 months to review the post-transaction record retention and oversight. We received 80 sets of documents, 12 were found to be missing.
- The required purchasing log was missing in 10 sets of documentation and those we were provided at times were missing required signatures.
- We found 53 of the 80 to have completed the required reconciliation on time, 12 were not dated, seven were not completed at all and eight were completed 15 to 89 days late.
- The current training offered at the County is the same for cardholders, card coordinators and cardholder approving supervisor.

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Procurement’s Purchasing Card Program: Efficiency is Achieved but More Oversight and Updated Guidelines are Needed

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Background

In 2000, the County instituted a purchasing card program establishing credit cards for use by employees for County expenses. The program was established to reduce paperwork, increase efficiency, reduce time for vendor payments, and to improve vendor relationships with the County. In 2001, the purchasing card activity totaled \$3.3 million with over 300 active cardholders County-wide with an allowable purchase value of \$1,000. In 2020, the card activity totaled over \$3.9 million with an allowable purchase value of \$2,000.

The program includes both purchasing cards and travel cards. Purchasing cards (P cards) are used for purchasing items with an allowable purchase value of \$2,000 or less per transaction and travel cards (T cards) are used to reserve and pay for travel primarily for County employees. The cards are intended to be used as a low-dollar purchase tool and to provide a streamlined payment process. All of the purchasing cards are issued to individuals but some departments maintain pool travel cards which are not issued in an individual's name. Milwaukee County Ordinance Chapter 32.27 allows for the delegated purchase authority of the Director of Procurement for Milwaukee County to the cardholders. The purchasing and travel card program is not intended to replace countywide and departmental price agreements or purchase orders already in place.

There were four main roles responsible for the operation of the purchasing and travel card program during 2018 to 2020 at the County:

- The **County Purchasing Card Administrator** within the Department of Administrative Services Procurement Division is responsible for the central administration of the purchasing card program. This includes the initial set-up of cards, any subsequent changes or replacements to existing cards and training. In addition Procurement acts as the County's liaison with U.S. Bank.
- The **Cardholder** is a full-time employee who has been issued a personalized purchasing and/or travel card or has been granted temporary use of a department's pool card and is authorized to make purchases.
- The **Cardholder Approving Supervisor** within the department who is responsible for approving purchases placed upon the purchasing and travel card.
- The **Department Card Coordinator** is responsible for communicating all changes to the County Purchasing Card Administrator, oversight of the process, maintenance of central files for all department cardholders, and ensuring that all documentation is submitted and appropriately signed by the Cardholder and the Cardholder Approving Supervisor.

The County's purchasing card program relies on a decentralized set of controls at the department level. One of the key departmental controls is a monthly supervisory review and approval of a cardholder's log of purchasing card transactions. The supervisor approval of the log affirms that the cardholder was authorized to make the documented purchases. Each card has a card coordinator who reviews and retains the documents from the cardholder and the supervisor. In addition, all departments participating in the program must reconcile on a monthly basis charges from the Department of Administrative Services for payment of the purchasing card charges with the department's individual cardholder transaction records. Due to the volume of transactions and the varied needs of departments, neither the Procurement Division nor the Accounts Payable Division oversee or review individual purchases of County cardholders.

We reviewed both the purchasing cards and the travel cards at Milwaukee County. This audit contains the review of issuance of both P and T cards but only transactional and post-transactional reporting for the P card program. At a later date we will issue our review of the T card program and its transactional and post-transactional reporting. The issuance of two reports is due in part to a change with the County's new financial system where central administration for the T card has transitioned to the Office of the Comptroller's Payroll Services Division. Since this transition did not occur until after our review period, we included the review of the issuance of T cards within this audit as it fell under the jurisdiction of Procurement. We reviewed both the administrative process to operate the purchasing program along with an analysis of the transactional data to ensure compliance with the requirements of the program.

Our review is focused on the years of 2018 – 2020. In 2021, the former Procurement Director retired. His replacement joined County services on October 4, 2021.

We were cognizant of fraud that may occur within the program while we conducted our fieldwork and any questionable items we found were discussed with the Audit Services Division's Fraud Manager. However, it should be noted that this audit was not a complete review of every transaction that occurred within the scope of this audit which was a three-year time period and encompassed over 48,000 transactions.

Table 1 contains a listing by department of active cards during 2018 to 2020 with both total charges and total transactions during the three-year period.

**Table 1
Listing of Purchasing and Travel Cards by Department Including Total
Charges and Total Transactions During 2018 to 2020**

<u>Department</u>	<u>Total Cards</u>	<u>Total Charges</u>	<u>Total Transactions</u>
UW-Extension	1	\$806	8
Personnel Review Board	1	\$1,590	2
Treasurer	3	\$1,915	36
Election Commission	2	\$1,921	11
DAS-Risk Management	2	\$2,187	11
Register of Deeds	5	\$4,462	31
Office of the Comptroller	1	\$6,359	36
County Clerk	2	\$7,264	97
County Executive	2	\$10,457	106
MCDOT Director Office	3	\$14,106	116
CEX-Government Affairs	6	\$15,276	172
Corporation Counsel	3	\$16,588	202
Human Resources	4	\$18,547	71
Transportation Services	3	\$22,990	117
Department on Aging	3	\$24,279	175
County Board	3	\$30,633	150
Office on African American Affairs	5	\$37,900	166
Medical Examiner	2	\$54,164	269
Highway Maintenance	14	\$78,962	615
DAS-IMSD	10	\$125,651	758
Emergency Management	15	\$133,559	1,006
District Attorney	8	\$184,630	1,090
House of Correction	11	\$276,292	1,512
Sheriff	33	\$408,528	3,333
DHHS	20	\$499,164	2,933
DHHS-Behavioral Health Division	20	\$616,074	2,468
DAS-Fiscal Affairs	45	\$651,555	2,492
Parks Department	40	\$784,973	3,417
Zoological Department	63	\$1,785,787	8,103
Airport	47	\$3,493,635	8,519
Fleet Management	17	\$4,134,410	18,317
Total	394	\$13,444,664	56,339

Source: Audit Services Division created table based upon data from the U.S. Bank system.

In keeping with the County's focus on racial and gender equity, we reviewed the racial and gender identity of cardholders, and card coordinators. We found those who identify with the White racial group to be overrepresented in both the cardholder and card coordinator categories compared to its share of the County workforce. We found annually 81% to 82% of cardholders identified with the White racial group while their share of the County's workforce in 2019 was 57%; the percentage of card coordinators who identified with the White racial group ranged from 66% to 71%. Table 2 shows the distribution by racial or ethnic identity of cardholders and card coordinators.

Table 2
Racial/Ethnic Identity of Cardholders and Card Coordinators who had Transactions During 2018–2020

	2018		2019		2020		2019 MC
	<u>No.</u>	<u>Percent</u>	<u>No.</u>	<u>Percent</u>	<u>No.</u>	<u>Percent</u>	<u>Workforce</u>
Cardholders							
American Indian or Alaskan	2	1.0%	3	1.4%	1	0.5%	1%
Asian	1	0.5%	0	0%	0	0	2%
Black or African American	24	11.9%	28	12.7%	27	12.9%	31%
Hispanic or Latino	7	3.5%	10	4.5%	10	4.8%	7%
Two or More Races	2	1.0%	1	0.5%	1	0.5%	2%
White	166	82.2%	179	81.0%	171	81.4%	57%
Total	202		221		210		
Card Coordinators							
American Indian or Alaskan	1	1.6%	2	3.1%	1	1.8%	1%
Asian	2	3.3%	3	4.7%	2	3.6%	2%
Black or African American	13	21.3%	13	20.3%	11	19.6%	31%
Hispanic or Latino	4	6.6%	4	6.3%	2	3.6%	7%
Two or More Races	0	0%	0	0%	0	0%	2%
White	41	67.2%	42	65.6%	40	71.4%	57%
Total	61		64		56		

Source: Audit Services Division created table based upon data from the County’s payroll system.

While in 2019, 52% of the County work force identified as female we found the percentage of cardholders to be below this level while card coordinators were in excess. Of the cardholders that identified as females the percentage of total cardholders ranged from 36% to 42% during our review. The percentage of card coordinators that identified as females ranged from 66% to 67%. Table 3 shows the distribution by gender identity of cardholders and card coordinators.

Table 3
Gender Identity of Cardholders and Card Coordinators who had Transactions During 2018–2020

	2018		2019		2020	
	<u>No.</u>	<u>Percent</u>	<u>No.</u>	<u>Percent</u>	<u>No.</u>	<u>Percent</u>
Cardholders						
Female	73	36.1%	90	40.7%	89	42.4%
Male	129	63.9%	131	59.3%	121	57.3%
Total Cardholders	202		221		210	
Card Coordinators						
Female	41	67.2%	43	67.2%	37	66.1%
Male	20	32.8%	21	32.8%	19	33.9%
Total Card Coordinators	61		64		56	

Source: Audit Services Division created table based upon data from the County’s payroll system.

Section 1: The Issuance of both Purchasing and Travel Cards by Procurement followed the Manual with very few exceptions.

Central administration of the purchasing card (P card) program rests with the Department of Administrative Services Procurement Division (Procurement). Procurement's responsibilities include: initial set-up of the cards, training, and any subsequent change or replacement of existing cards. The County works with U.S. Bank to issue the credit cards.

In August of 2018 Procurement issued a Policy and Procedure Manual that has combined instructions for the P card and T card programs.

In August of 2018 the Division released a Policy and Procedure Manual for Purchasing/Travel Card. We used this document to provide us with the expectations of Procurement for the operation of the purchasing and travel card program. According to Procurement, a new manual is to be issued in 2022. Having both the P Card and the T Card programs contained with one manual led to some confusion on the allowable uses of the cards as the two credit cards have different allowable expenses.

The County has recently transitioned to a new financial system that will require changes to the manual. Under the new financial system, central administration for the travel card has transitioned to the Office of the Comptroller's Payroll Services Division. Since all T cards were issued during our review period and had the same issuance process as a P card, we included the review of the issuance of the T cards within this audit. The allowable purchases for a T card are different than for a P card and going forward the review of T cards is now under the Payroll Services Division, therefore, we

are issuing a separate report with recommendations regarding both purchasing and post purchase administration for T cards.

We found no issues with the reconciliation of County cardholders between Procurement and U.S. Bank.

As of December 31, 2020, there were 565 purchasing and travel cards issued by Milwaukee County since 2010. Of these cards, 313 were active and 252 were closed during the period of our review. We compared the list of authorized cardholders provided to us from DAS Procurement to those at U.S. Bank and found no discrepancies.

There were no discrepancies between Procurement's list of cardholders and the one provided to us by U.S. Bank.

We found almost 100% compliance with the requirement that cardholder and card coordinators are full-time employees.

The Policy and Procedure Manual for the purchasing and travel card program requires that all individuals involved in the process be full-time county employees. We reviewed the listing of cardholders and card coordinators to verify compliance with the requirement. Of the active 394 cards we found all but two to be in compliance with the policy. One exception belonged to the UW-Extension Department which does not employ a full-time employee with a budgeted full-time equivalent of 0.8 FTE. The other exception was a Director level employee in the Department of Human Resources who was listed at 64 hours per pay period versus a standard 80 hours. The manual does not define full-time.

We found ten instances where a department was in violation of the requirement that no card coordinator is also a cardholder. However, only one violation was because on the same card the employee was listed as the cardholder and the card coordinator.

We found one cardholder who was also listed as the card coordinator for their card.

The Policy and Procedure Manual issued by the Procurement Division specifies that a cardholder cannot also be a card coordinator. We reviewed the cardholders who had transactions during our review period and found ten cardholders who were listed as card coordinators. Of those ten, only one was listed as the card coordinator of their own card, the remaining 9 were card coordinators for cards held by other employees within their department. According to Procurement, the prohibition in the manual applies to all cards and this should not occur.

Our review of card coordinators within the system found errors such as card coordinators listed who are employed in another department. We were informed that when a new card coordinator is put in place, notification to Procurement must occur in order to update the information in the U.S. Bank system.

We found errors in the listing of the card coordinators in the system at U.S. Bank.

Procurement did not review the cardholder/card coordinator relationship beyond the processing of initial paperwork when a new card was requested between 2018 and 2020.

The U.S. Bank system is not automatically updated when a card coordinator changes and notification to Procurement is required by departments to update the system, therefore, we recommend:

1. *Procurement implement written procedures to review the cardholder and card coordinator list on at least an annual basis to ensure no cardholder is also functioning as a card coordinator and that the listing of card coordinators is accurate and up-to-date.*

The Policy and Procedure Manual lays out multiple requirements for the issuance of a purchasing or

travel card. We reviewed the process and found some inconsistencies to the requirements.

From 2018 to 2020 154 new cards were issued.

During the period of our review from 2018 to 2020, 154 new cards were opened. Of those, 110 were purchasing cards and 44 were travel cards. 133 of the cards were issued to individuals while 21 were pool cards. Of the 133 cards that were not pool cards, there were 110 unique cardholders as some individuals were issued both a travel and a purchasing card.

During our review, the Airport opened the most cards with 19, followed by the Zoo with 18, and DAS-Fiscal Affairs with 15. According to Procurement, cards are typically, but not always, on a four year expiration cycle which results in departments being issued replacement cards roughly every fourth year. Table 4 shows the issuance of cards by department during the period of our review.

Table 4
Issuance of New Cards by Department for Purchasing and Travel Cards
2018–2020

<u>Department</u>	<u>P card</u>	<u>T card</u>	<u>Total</u>
County Executive	1	0	1
County Executive-Government Affairs	2	2	4
Human Resources	0	1	1
Office of the Corporation Counsel	1	0	1
DAS-Risk Management	1	1	2
Office of African American Affairs	3	3	6
Personnel Review Board	1	0	1
DAS-Fiscal Affairs	10	5	15
DAS-Information Management Services Division	3	1	4
DAS-Community Development Business Partners	1	0	1
Election Commission	1	0	1
Treasurer	2	0	2
Register of Deeds	1	1	2
Sheriff	8	6	14
House of Correction	2	0	2
District Attorney	7	1	8
Office of Emergency Management	6	6	12
Airport	16	3	19
Fleet	6	1	7
Highway	1	5	6
Facilities	1	1	2
MC Department of Transportation Director's Office	0	2	2
Office on Aging	3	0	3
Department of Health & Human Services	3	2	5
Behavioral Health Division	6	0	6
Parks	8	0	8
Zoo	15	3	18
UW-Extension	1	0	1
Total	110	44	154

Source: Audit Services Division created table based on data from the U.S. Bank system.

We reviewed the issuance of 133 new cards for compliance to the requirements found in the Policy and Procedure Manual. We excluded the 21 pool cards in our review.

There were 154 new cards issued in total during the three-year period of our review. Of those, 21 were pool cards that are not assigned to an individual within a department and are therefore not subject to the same

requirement for issuance. We excluded these pool cards from our testing of compliance and tested the remaining 133 cards for compliance with the requirements for issuance of new cards.

The Policy and Procedure Manual lays out the process for the issuance of the Purchasing and Travel cards. The major requirements from within the manual are:

- A Purchasing/Travel Card request form must be completed.
- Successful completion of the required Training within the County's training system, LMS.
- Cardholders will be issued and use only one purchasing and travel card at a time.
- Cardholders are not allowed to receive initial or replacement cards directly from U.S. Bank.

We conducted a review of the required Purchasing/Travel Card Request Form and found few deviations from compliance with this requirement.

According to current program policies and procedures, employee agreements authorizing a purchasing card must be signed by the employees' department or Division head and Departmental card coordinator. We found complete compliance with the signing of forms by the Department head or designee. Our review of card issuance forms found the following issues:

- 2 of 133 cards were issued without the employee completing the required agreement.
- 10 of 133 request forms were not dated.
- 1 of 133 the card coordinator signature line on the request form was blank.
- 3 of 133 request forms had dates that were after the date the card was created.

We found minimal issues when reviewing the issuance of 133 cards with the requirements of the manual.

There were 110 individuals who were issued cards during our review period. Cardholders are required to complete training in the County's online training system prior to the issuance of a card. We found 13 out of 110 cardholders did not complete the training prior to the first transaction on their card.

According to Procurement, training has not been required for pool cards that are in the name of the department rather than an individual. Based upon this information, there were 110 individuals who were issued a card or cards from 2018 to 2020. 133 cards were issued; however, some individuals were issued both a purchasing and a travel card. The Manual requires that issuance of the cards does not occur without the completion of training. There were three training steps required: User Card training, Learning Management System (LMS) review of the Policy and Procedure Manual, and Completion of the training requirement for the card agreement.

While we found 109 cardholders to have completed the LMS Review of the Policy and Procedure Manual training, 12 of them did not do so prior to the first transaction on the card. One employee did not take the card manual training in LMS.

We found all 110 cardholders to have taken the user-card training and the training requirement on the Policy and Procedure Manual, however, 13 of them did not complete the training prior to their first transaction.

We found 13 cards were used prior to the completion of required training.

We conducted interviews with nine departments on card issuance and found a mixed response of who is responsible for confirming the completion of training prior to card issuance. Some departments performed the verification themselves while others stated it was the responsibility of Procurement to confirm training prior to

card issuance. Given the issuance of multiple cards prior to the completion of training, we recommend:

- 2. Procurement implement written procedures to ensure all training is complete prior to issuance of a purchasing card.*

We did not find a cardholder with more than one purchasing and travel card at the same time nor did we find a cardholder receiving their card directly from U.S. Bank.

The manual prohibits cardholders from having more than one purchasing card at a time. Cardholders can have a purchasing and travel card at the same time. We found all of the cardholders are in compliance, due to only having one purchasing card open at the time, even though they might have had two or more purchasing cards during 2018 to 2020. In addition, based upon our interviews with departments, cards are sent to Procurement and forwarded to departments.

The manual establishes directions on the proper actions to take when there is cardholder separation.

An additional responsibility of the Card Supervisor is to obtain the purchasing and travel card and current documentation from the Cardholder prior to separation. Immediate notification to the Procurement Division is required so that Procurement can cancel the card. After cards are cancelled, they may be returned to Procurement or destroyed by the Card Coordinator. The Card Coordinator will record the date, time and method of destruction. The record will be included in the Cardholder's file maintained by the department.

We conducted a review of closed cards and found no charges posted after the listed closed date for the card.

Section 2: Our review of transaction data found the biggest issues to be with the use of internet service providers such as PayPal, payment of sales tax, and consideration of an increase to the \$2,000 limit.

The County's purchasing card program relies on a decentralized set of controls at the department level. Departments are responsible for overseeing and reviewing card purchases. During the scope of our review from 2018 to 2020 over \$12 million in purchases were made with the P cards.

In 2018 P card purchases totaled \$4,236,211; in 2019 that amount grew to \$4,332,818. The amount in 2020 dropped to \$3,829,876 possibly due to the Covid pandemic and the associated shift to telework.

We found 63% of all P card purchases to be within the State of Wisconsin and 33% to be within Milwaukee County.

We reviewed the transactional data for P cards, excluding travel cards, to see if the County's funds were spent in the State of Wisconsin versus out of State. We found that 63% of all P card purchases were within the State of Wisconsin. We further reviewed that data for merchants listed with either a municipality within Milwaukee County or a "414" area code to attempt to determine the spending that occurred within Milwaukee County. We found that approximately 33% of expenses were within Milwaukee County. Table 5 shows the breakdown between in-state/out-of-state and also purchases within Milwaukee County.

Table 5
Share of Charges on the Purchasing Card that Occurred within the State of Wisconsin and Milwaukee County During 2018 to 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
In State Purchases	\$2,746,429	\$2,666,615	\$2,388,324	\$7,801,368
Unknown Location Purchases	\$4,092	\$14,115	\$8,308	\$26,515
Out of State Purchases	\$1,485,690	\$1,652,088	\$1,433,243	\$4,571,021
Percent of Total that was In-State	65%	62%	62%	63%
In County Purchases	\$1,433,363	\$1,414,278	\$1,238,096	\$4,085,737
Percent of Total that was In-County	34%	33%	32%	33%
Overall Total Expended	\$4,236,211	\$4,332,817	\$3,829,876	\$12,398,904

Source: Audit Services Division created table based on data from the U.S. Bank system.

We found the largest two categories of spending on the P card in each of the years we reviewed to be the Wholesale Trade and Vehicle Expense categories. These categories accounted for \$7.8 million of the total \$12.4 million in purchases from 2018 to 2020, which was 63% of all purchases. Wholesale Trade includes items such as hardware stores, lawn and garden supplies, lumber, plumbing parts, and electrical parts. Vehicle expense includes items from vendors such as the Napa Store, Pomp's Tires and O'Reilly's Auto Parts. Table 6 details the purchases within merchant categories from 2018 to 2020.

**Table 6
Transactions by Merchant Category –2018 to 2020**

<u>Category</u>	<u>Example of Purchases or Vendors</u>	<u>Amount</u>
Airline	Southwest gift cards	\$2,552
Auto/RV Dealer	John Paul Buick, Hiller Ford, Truck Country of WI-MLWK	\$670,943
Building Services	Snowplow Solutions, Hourglass & Trim Services	\$368,825
Business Expense	American Jail Association, Milwaukee Urban League	\$610,678
Eating/Drinking	El Greco, Jimmy John's, Grebe's Bakery	\$33,481
Hotel	Hampton Inn (DHHS Housing), Days Inn, Travelodge	\$160,230
Mail/Telephone	Office Depot, Office Max	\$12,559
Medical Supplies	The Pet Apothecary, Walgreens, CVS	\$60,214
MRO Supplies	Marketing including printing and photos	\$111,334
Office Services	New York Times Digital, Whitlow Security	\$923,488
Office Supplies	USPS, Office Max, Office Depot	\$107,584
Other Travel	Amtrak, Greyhound, Milwaukee County Transit Services	\$30,708
Rental Cars	1 Transaction from Enterprise at Fleet Department	\$1,586
Retail	North American Police, Illinois Arborist Association	\$1,755
Vehicle Expense	Napa Store, Pomp's Tires, O'Reilly's Auto Parts	\$2,113,370
Wholesale Trade	Home Depot, Menards, Lowe's	\$5,734,229
Other	Farm Fleet, Amazon, Chewy.com	\$1,455,373
Total		\$12,398,909

Source: Audit Services Division created table based on data from the U.S. Bank system.
*Numbers in table are rounded.

The spending limit on P cards during 2018 to 2020 was not to exceed \$2,000 per transaction. We found 13 instances of purchases in excess of the limit with 12 documented as approved by the former Procurement Director.

Milwaukee County's Ordinance 32.27 states that "no procurement shall exceed two thousand (\$2000.00), including any freight and handling charges." We reviewed all transactions to identify any that were in excess of \$2,000. We found 13 transactions in excess of the \$2,000 limit. In an interview with the former Procurement Director, he indicated that for P cards all but one of the instances the department requested and were granted approval by Procurement to exceed the purchasing limit via an email exchange between the Procurement Division and the department. The one purchase without approval to exceed the limit was

The current per transaction limit on the P card is \$2,000.

\$3,996 on the Park's department P card for North American Filtration.

The current per transaction limit on the P card for the City of Milwaukee and the State of Wisconsin is \$5,000.

We conducted research of other governmental entities to obtain their current allowable per purchase limit on cards. We found both the City of Milwaukee and the State of Wisconsin to allow purchases that are not in excess of \$5,000. Racine County has a P card limit of \$2,500. Of the 13 purchases that were in excess of the current limit of \$2,000, eight were less than \$5,000.

In addition, we reviewed a judgment sample and discuss below the transactional data for "chaining" where a department splits a charge in excess of \$2,000 in order to use the card to complete the transaction. Chaining is a practice prohibited under the P card Manual. Of the 14 chaining items we reviewed, one had total expenses that were in excess of \$5,000.

Based upon consumer price index a department would need to spend \$2,428 in 2022 to procure the same item it could have bought in 2012 for \$2,000.

Based upon consumer price index increases over the last ten years, in 2022 a department would need to spend \$2,428 to procure the same item it could have obtained in 2012 for \$2,000.

Based on the diminished purchasing value of the current P card limits, the limits by other local governmental entities and possible reduction in the need of departments to chain purchases, we recommend:

- 3. Procurement review the current allowable P card limit to determine if it is appropriate to update the existing ordinance to increase the per-purchase limit.*

We conducted a high-level review of all P card transactions to identify purchases that appeared to potentially be in violation of allowable P cards items. We used possible violations due to chaining, sales tax payment, and unallowable purchases to form a

judgement sample upon which we conducted a detailed review.

We obtained all transactional data from the P cards during the period of our review from 2018 to 2020. We conducted a high-level review to flag any items that appeared to be a potential violation of the prohibited purchases as outlined in the Policy and Procedure Manual in sections 4.4 and 4.5.

The following is a list of items we considered when flagging transactions during our review for the P cards:

- No purchase in excess of card limits without approval of the Purchasing Director.
- No chaining – where multiple payments are used to exceed the \$2,000 limit.
- Following administrative procedures for processing of documentation of the P card.

The manual lists the following items as prohibited for the P card:

- Personal items.
- Travel expenses including meals, entertainment, hotels/motels, airlines, rental cars, etc.
- Cash advance.
- Food purchases for departmental functions of any kind.
- Floral arrangements or flower show purchases.
- Telephone calls, monthly cell services and television or cable services.
- Goods currently covered by a price agreement except those designated for P card use.
- Outstanding invoices for goods and services previously received.

- Establishing an internet payment provider account/service such as PayPal and Google Wallet.
- Unauthorized purchases with intent to reimburse the County.
- Partial payments or down payments.

We used the list of potential violations to generate a judgment sample of 92 transactions. In order to review these 92 transactions, we requested both bank statements and receipt documentations from 11 departments. We reviewed all transactions that appeared on the monthly statements received from departments. In total, we reviewed documentation for 2,919 transactions and approximately \$923,441 in expenses. We found violations of both administrative procedures and purchases for unallowable items on P cards. Some cards had multiple violations.

In our judgement sample, we tested for eight areas of unallowable purchases and found the two largest areas of violations were the use of internet payment providers such as PayPal and potential chaining of purchasing to exceed the per purchase limit of \$2,000.

We tested for eight categories of unallowable purchases on the P card. Our review consisted of 2,919 transactions with charges of approximately \$923,441. The largest two categories of violations we found were in the use of internet payment services such as PayPal and potential chaining violations.

One of the largest areas of violations was the use of internet payment providers such as PayPal which is not allowed according to the policy manual. We found total charges of \$9,184 in our sample and over \$108,598 during the period from 2018 – 2020.

We found six out of the 11 departments in our judgment sample used PayPal.

When reviewing our sample, we found \$9,184 was paid to PayPal rather than directly to a vendor. There were

six out of 11 departments who violated this clause. The Airport had six violations totaling \$6,713.

We also reviewed the overall transaction data for payment to internet payment providers and found \$108,598 in charges from 2018 to 2020 that were paid via PayPal rather than directly to the merchant as required within the manual. Training provided in the LMS system at the County does not currently include a specific reminder of the prohibition that exists within the manual to use an internet payment provider as shown in Figure 1 which is a screen shot from the training program.

Figure 1

Using Your Card

The screenshot shows a slide titled "Using Your Card" with four vertical tabs on the left: "Dedines", "Taxes", "Security", and "Unacceptable Purchases". The "Unacceptable Purchases" tab is highlighted in green. To the right of the tabs is a box containing the following text:

Unacceptable Purchases

Travel Cards

- Personal Purchases or identification
- Entertainment expense
- Purchases unrelated to travel expense

Procurement Cards

- Personal purchases
- Travel expenses (i.e.. hotel, airfare, registration costs)
- Cash advances
- Food purchases
- Floral arrangements
- Utility bills (i.e. telephone, cable, cell services)
- Items already covered by contract or price agreement
- Outstanding invoices for goods or services previously received
- Down payments or partial payments

One department we interviewed when asked, stated, “What’s wrong with PayPal?”

We conducted interviews with card coordinators from a variety of departments and of the departments we asked regarding use of PayPal, none were aware it was prohibited. The coordinators indicated it was used mostly to pay for conferences, software, membership fees. One department’s response was, “What is wrong with PayPal, they are buying the things they need.”

According to an interview with the current Procurement staff, the office is working with U.S. Bank to block the

use of internet payment providers within the U.S. Bank system.

Based upon the magnitude of departments using PayPal and confusion among departments on whether use of PayPal is allowed, we recommend that:

4. *Procurement review and confirm that the use of an internet payment provider remains an inappropriate use, continue to explore the ability to automatically block internet payment providers in the system and include this item in the training.*

In our sample review of P cards we found 14 examples of potential chaining with a total cost of \$57,397. In addition, missing receipts on additional potential chaining items limited our ability to review the purchases.

Chaining is defined within the manual as the repeated use, on an intentional basis, of P card in whole or in part to complete one transaction that exceeds the Per Transaction Limit set by Milwaukee County by breaking the payment and transaction into several, smaller dollar-value transactions. We found a total of 14 instances of potential chaining based upon our review with a total cost of \$57,397.

Chaining is a prohibited practice where a cardholder breaks a purchase into multiple payments to avoid the \$2,000 per transaction limit.

Examples of potential chaining we found include:

- Two purchases from the same vendor of 20 LED 150-Watt Bulbs for \$2,000 on 1/19/2018 for a total expense of \$4,000.
- A purchase of 5 tire scrap removal kits for \$1,547 on 2/12/2018 and on the same day a purchase of 4 of the same tire scrap removal kits for \$1,237 for a total expense of \$2,784 from the same vendor.

Table 7 shows the potential chaining items we found by department and the amount.

**Table 7
Potential Chaining Identified by Department,
Occurrences and Amount**

<u>Department</u>	<u>Potential Chaining Occurrences</u>	<u>Amount</u>
Airport	4	\$19,474
Fleet	5	\$18,708
Parks	2	\$7,681
Zoo	1	\$3,808
House of Corrections	1	\$3,900
Behavioral Health Division	1	\$3,825
Total	14	\$57,397

Source: Audit Services Division created table based on data from the U.S. Bank system.

In addition, we had eight instances of potential chaining selected for review that had missing receipts, redacted credit card amounts or receipts lacking enough detail to perform a review.

Due the occurrence of chaining we found, which were not disallowed in the established departmental review process, we recommend:

5. *Procurement establish a process to review potential chaining purchases and provide additional training for both cardholders and card approving supervisors on the prohibition on chaining of purchases to exceed the card limit.*

We attempted to review if any sales taxes were paid on P card purchases, but found that the only mechanism to review for sales tax was a manual review of invoices submitted by departments.

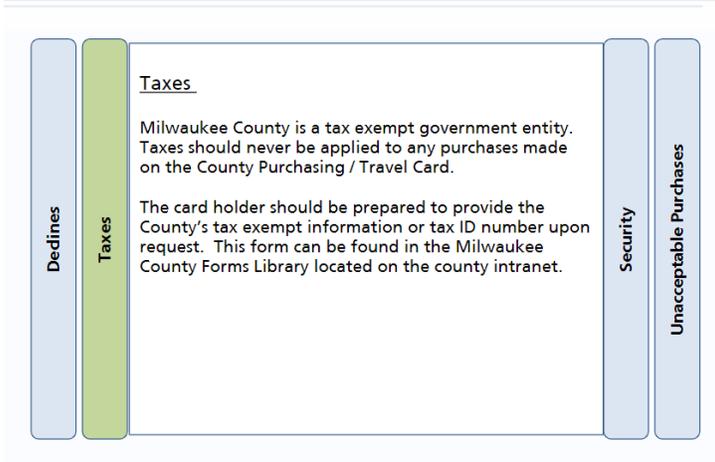
The Policy and Procedure Manual for P cards states in section 4.3.2.3 that a cardholder shall inform a vendor that transactions are NOT to be taxed. Letters of tax

The County is a tax exempt organization and should not pay state sales tax. We encountered difficulty in conducting a review of whether sales tax was paid due to the requirement of reviewing individual invoices to find indication of sales tax paid.

exemptions are available on the County website for departments to use when required. The manual also states that once a vendor is chosen that the cardholder shall confirm that the vendor understands and accepts Milwaukee County's tax-exempt status.

In addition, the LMS training program includes a specific slide reminding departments of the County's tax exempt status as shown in Figure 2.

Figure 2
Screenshot from LMS training on Purchasing and Travel Cards
Using Your Card



We began our review of sales tax with a review of the statements from U.S. Bank provided to each cardholder. As seen in Figure 3, the U.S. Bank statements include a line item for sales tax under its transaction description.

Figure 3
Screenshot from U.S. Bank System of Monthly Credit Card Statement



NEW ACCOUNT ACTIVITY					
POST DATE	TRAN DATE	TRANSACTION DESCRIPTION	REFERENCE NUMBER	MCC	AMOUNT
05-15	05-14	SCHMITZ READY MIX, 1 414-8312400 WI	24639230135900013600011	1771	72.60 ✓
05-18	05-16	MENARDS FRANKLIN WI FRANKLIN WI PUR ID: TAX: 0.00	24137460138300431448795	5200	68.70 ✓
05-18	05-15	BATTERIES PLUS #0546 WEST ALLIS WI PUR ID: P26765311 TAX: 0.00	24431060137207254700073	5989	76.36 ✓
05-20	05-20	CLARKE MOSQUITO CONTRO 630-894-2000 IL PUR ID: Verbal TAX: 0.00	24692160141100963615458	5169	745.59 ✓
05-29	05-27	MENARDS FRANKLIN WI FRANKLIN WI PUR ID: TAX: 0.00	24137460149100159763343	5200	175.82 ✓
06-01	05-29	STANCHION WORLD 727-954-4354 FL PUR ID: 10600 TAX: 124.63	24707800150027016227977	5099	1,905.00 ✓
06-04	06-03	AMZN MKTP US*MY5P50042 AMZN.COM/BILL WA PUR ID: 111-2740231-88162 TAX: 0.00	24692160155100265588232	5942	401.94 ✓
06-08	06-04	SCHMITZ READY MIX, 1 414-8312400 WI	24639230157900015000056	1771	83.60 ✓

The \$1,905 purchase lists tax at \$124.63. However, when discussing with departments and in reviewing receipts, we learned that the U.S. Bank statements include a notation of tax even when tax has not been paid for the item. Figure 4 is a copy of the receipt for the relevant purchase from Figure 3 and shows no tax paid.

Figure 4
Copy of Receipt from Department Showing No Tax Paid

7901 4th Street North, Ste 311
 St. Petersburg, FL 33702
 (800) 801-7691
 sales@StanchionWorld.com
 www.thecrowdcontroller.com

Estimate

ADDRESS
 Milwaukee County Zoo
 David Engelmann
 10001 West Blue Mound Road,
 Milwaukee, WI 53226

SHIP TO
 Milwaukee County Zoo
 David Engelmann
 10001 West Blue Mound Road,
 Milwaukee, WI 53226

ESTIMATE # 2020-336
DATE 05/28/2020

ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
BARR-FLAT-BK-1000	Steel Barricade With Flat Feet - Black 8'4"	15	100.00	1,500.00
Discount of \$9.00 per Barricade has been given. Estimated 3-5 day transit time, this quote does not include any additional services.				
SUBTOTAL				1,500.00
TAX (0%)				0.00
SHIPPING				405.00
TOTAL				\$1,905.00

Accepted By _____ Accepted Date _____

The lack of ability to electronically review payment to determine if sales tax was paid resulted in fieldwork where our team reviewed the 92 judgment samples' invoices to note where sales tax was paid. We found

less than \$150 in sales tax paid on over \$900,000 in purchases. Table 8 shows items we found.

<u>Vendor</u>	<u>Item</u> <u>Yearly Charge</u>	<u>Charge</u>	<u>Tax</u> <u>Paid</u>
Zoom	Yearly Charge	\$2,109	\$110.95
Amazon.com	Battery Charger	\$84	\$4.40
Kwik Trip	Gas	\$14	\$0.71
Scrub A Dub	Yearly Car Wash Free	\$253	\$13.44
Amazon MKTP	Interview Binder	\$116	\$6.05

Source: Audit Services Division created table based on data from the U.S. Bank system.

We also found that items we did pay sales tax on appear on the U.S. Bank Statement with projected tax of \$0.00 as shown in Figure 5.

**Figure 5
Screenshot from U.S. Bank System of Monthly Credit Card Statement**

NEW ACCOUNT ACTIVITY					
POST DATE	TRAN DATE	TRANSACTION DESCRIPTION	REFERENCE NUMBER	MCC	AMOUNT
11-16	11-15	LOGMEIN*GOTOMEETING LOGMEIN.COM MA PUR ID: F87AC614 D029 437 TAX: 0.00	24692160320100983012903	5968	19.00
11-20	11-19	DROPBOX N72XKVC222DM 141-58576933 CA PUR ID: Dropbox N72XKVC222DM TAX: 0.00	24204290324004699188720	4816	119.88
12-01	11-30	ZOOM.US 888-799-9666 WWW.ZOOM.US CA PUR ID: 62097428 TAX: 0.00	24492150335637620974280	4814	2,108.95
12-02	12-01	BOX, INC. 877-7294269 CA PUR ID: P-09584587 TAX: 0.00	24204290336399512733629	4816	132.00



The inability of Procurement or any other entity to easily review to ensure that the County is not paying sales tax as it is a tax exempt entity remains problematic. Ideally, a system that would allow the verification of sales tax exemption or electronic review of invoices would be preferred. That said, we found few instances of sales tax payment when we conducted our review which demonstrates that the current training and administration appear to be working to ensure the tax

exempt status at Milwaukee County, therefore, we recommend:

6. *Procurement continue to stress in its training program and its policy and procedure manual the tax exempt status of Milwaukee County and search for possible solutions via the U.S. Bank system or the County's financial system that would allow for an easier review of sales tax paid.*

Our review of purchases that were potential violations of the P card found that many fell into a grey area where the granting of exemptions from the Procurement office were obtained or belatedly deemed a reasonable use of the P card.

Our review found a number of items that fall into an area where it is unclear if the appropriate mechanism for the purchase is the P card. However, the program was established to reduce paperwork, increase efficiency, reduce time for vendor payments, and to improve vendor relationships with the County. Fulfilling those goals may at times lead to items placed on the P card that appear to be in conflict with the guidelines within the manual. Examples of items we found in the judgment sample include:

The use of P cards by departments at times included purchases that appear to be in conflict with the manual but are consistent with the goal of the program to provide efficiency to the County's purchasing program.

- Gifts cards from Southwest Airlines purchased for marketing events at the Milwaukee Art Museum.
- Gift cards purchased and paid for via grant funding for local fast food restaurants.
- Movie theater tickets purchased for employee award program.
- Food items were purchased by four different departments including food for sequestered staff for snow removal at Timmerman Airport.
- Deposit paid to the Harley Davidson Museum to secure the rental of the space for an annual seminar hosted by the department at the Museum.
- Food for Airline Executive events which was then charged to account 8403 which is the Airport

Director's Expense, an account established to be used to promote the airport for business relations or special activities.

- Floral purchase by a Constitutional Officer who later obtained approval from the former Procurement Director.

The lack of a procedure to retain the documentation of approved exemptions to the P card program hindered our review.

We found a lack of documentation that exceptions to the prescribed use of the P card were granted in most of the above examples. Procurement may find that at times deviations from the established purchasing restrictions are appropriate. We believe that such exemptions should be applied in a consistent manner and documented. Therefore, we recommend:

7. *Procurement establish a documented procedure for departments to request approval to the exceptions to the P card policy and establish written policies and procedure to track when exceptions to the policy are granted.*

An additional item included in the manual regarding the use of a P card requires the cardholder to check as many sources of supplies as reasonable to ensure best price and delivery. During our interview we had one department indicate they fulfilled this requirement.

Only one department of the 11 we interviewed indicated they perform the required step of checking multiple sources to ensure the County is receiving the best price.

We conducted interviews with 11 departments on transactional items to determine their compliance with this requirement. During 2018 to 2020, the 11 departments interviewed accounted for 25,526 transactions in 2018-2020, which is 45.3% of all transactions. In addition, the departments selected had total transaction charges of \$6,587,311 which was 49.0% of total transaction charges for 2018-2020. We asked about the solicitation of more than one source and found one department that indicated they perform this step as a part of their standard use of the P card. The remaining departments did not indicate that this process is performed.

The Manual includes a statement reminding users that the County has a 4% Disadvantaged Business Enterprises (DBE) goal for commodities. We found little evidence that P card users are soliciting DBE vendors when making purchases.

None of the 11 departments we interviewed indicated they solicit Disadvantage Business Enterprise vendors to attempt to meet the 4% goal as stated in the manual.

The manual states that the County's has a "4% Disadvantaged Business Enterprise (DBE) goal for commodities." While the manual does not require P card purchases to comply with this percentage it does state, "Milwaukee County encourages solicitation and use of disadvantage business whenever possible." In addition, the manual directs users to Community Business Development Partners for verification and certified CBDP vendors and /or DBE sources.

Of the 11 departments we interviewed most of the departments were familiar with the Targeted Business Enterprise program (TBE) (formally known as the DBE program), however, no department we talked to considered TBE status when making purchases on the P card. The departments we spoke to accounted for 45.3% of all transactions and had total transaction charges of \$6,587,311 which was 49.0% of total transaction charges for 2018-2020.

Due to the lack of inclusion of TBE vendors on the P card purchases, we recommend:

8. *Procurement work with the Community Business Development Partners Division which oversees the Targeted Business Enterprise (TBE) program to inform and assist departments in utilizing TBE vendors when making local purchases on the P card.*

Section 3: Our review of post-transaction record retention and review found multiple areas that require additional oversight by both Procurement and departmental staff.

Based upon our judgment sample and review of the administrative processes, we found that additional oversight may be needed.

Our review of the P card program included a judgment sample where we selected 11 departments to provide us with monthly statements and supporting documentation for their P card expenditures. We reviewed both the appropriateness of the charges and the consistency with which departments are following the issued Policy and Procedure Manual. We found in our sample, issues with transactions that are placed on the P card and numerous administrative errors.

The manual establishes the process for the review, retention and recordkeeping for the P card program. We reviewed the adherence to the guidelines within the manual by the cardholders and found a lack of review and completion of required tasks within the 92 monthly statements we reviewed.

We received all transaction data for the P cards from the U.S. Bank system which included over 48,853 transactions. We reviewed the results to create a judgment sample of 92 monthly cardholder submissions during the years 2018-2020 to select for review. Our review included compliance with both administrative requirements and allowable expenses. This audit discusses the results of the review of the P card items only.

In order to review these 92 monthly submissions, we requested both bank statements and receipt

documentations from 11 departments. The monthly statements comprised 2,919 transactions and \$923,441 from P cards.

We reviewed seven different categories of administration of the monthly card process: documentation of receipts and credit card statement, submittal of a monthly purchasing log, performance of a monthly reconciliation, signature of cardholder, signature of supervisor or card coordinator, reconciliation not performed within 30 days and completion of a missing receipt report.

In 12 of the 92 monthly statement documentation we requested the required retention of documentation and proof of purchase was not provided.

The Policy and Procedure Manual's first statement under the record keeping category is whenever a purchase is made, documentation shall be obtained and retained as proof of the purchase. This documentation is required in order to verify the purchases listed on a cardholder's monthly purchasing log. We requested copies of the monthly statement from the credit card company, U.S. Bank, and the relevant receipts from 11 departments that comprised data for 92 monthly statements. We received 80 sets of documentation but were unable to obtain the documentation for 12 monthly statements. The Fleet Management Division had six months and the District Attorney had five months where they could not provide the monthly statement nor the receipts for the purchases for the selected card.

We requested documentation for 92 monthly cardholder submissions to conduct a detailed review and received 80 sets of documentation.

The completion of the required Purchasing Log for P cards was fulfilled in 70 out of 80 sets of documentations that we reviewed.

10 of the 80 sets of documentation were missing the purchasing log.

The Policy and Procedure Manual requires that a cardholder add any purchase to a purchasing log. A copy of the purchasing log is included in the manual as Attachment C. The Cardholder is to maintain and sign the log monthly which includes information including the vendor's name, items purchased, quantity, unit price, amount and date received. In addition, the cardholder should reconcile the purchasing log to the monthly credit card statement from U.S. Bank and ensure they match.

We found that of the 80 sets of documentation we received, that 10 of the 80 were missing the purchasing log.

The procedure for the completion of the Purchasing Log requires three signatures; we found missing signatures on some of the logs.

The Policy and Procedure Manual requires three signatures from the three entities involved in the P card usage: the Cardholder, the Cardholder Approving Supervisor and Card Coordinator. Of the purchasing logs we received we noted that 71 of 80 contained the cardholder signature and that 67 of 80 contained the cardholder approving supervisor and card coordinators' signatures.

9 of the purchasing logs were missing the cardholder signature and 13 were missing the card coordinator or cardholder approving supervisor signatures.

The Policy and Procedure Manual requires the completion of the monthly reconciliation between the credit card statement and the purchasing log within 30 days. We found that sloppy completion of the paperwork hindered our ability to test for this compliance.

The Policy and Procedure Manual requires the process for completion of the reconciliation between the credit card statement from U.S. Bank and the Purchasing Log to be completed within 30 days from the issuance of the credit card statement.

53 of 80 reconciliations were dated and completed on time.

We found a mixed result from our review of the reconciliation process and compliance with the deadline of 30 days. Twelve of the reconciliations that were completed were not dated which meant we could not confirm they were completed within the timeframe laid out in the manual. Seven of the reconciliations were not completed at all. Eight of the reconciliations were completed late with ranges of 15 to 89 days late. Fifty-three of the reconciliations were completed and within the 30-day required window.

The Policy and Procedure Manual provides instructions for completing a missing receipt report in cases where receipts are no longer available. We found departments did not follow the process when receipts were missing in our judgment sample review.

The Policy and Procedure Manual establishes and contains an attachment form entitled 'Missing Receipt Report.' This report is to be filled out when sufficient documentation does not exist for an item on the credit card statement from U.S. Bank. The report requires an explanation that includes a description of the items purchased, date of purchase, vendor's name and the reason for lack of supporting documentation. We found two examples within our judgment sample where individual items within a monthly set of documentation were missing receipts, however, we did not find any completion of a Missing Receipt Report.

The Policy and Procedure Manual requires Department Card Coordinators to document all warnings, verbal or written for any Cardholder's unauthorized or non-compliant P card use. We requested copies of the warning for violations and were provided two.

We requested background information of how card abuse is reported to Procurement and were informed by

Procurement that there were only two incidents that were reported during the 2018-2020 period. One was self-reported and the other was reported by a card coordinator. One involved the prohibited purchase of bereavement flowers which the cardholder reimbursed the County. The second incident was self-reported due to the late payment of three invoices on the same day. Because the invoices were not paid in a timely manner it may have appeared to be a chaining issue. This was not the case and the case was resolved.

Additional oversight by both Procurement and Departmental Card Coordinators and Cardholder Approving Supervisors would help reduce errors and improve record retention.

We found in our judgment sample, items on the P card that should not be on the P card, use of the P card to purchase items over the allowable limit via chaining and the payment of state sales tax by the County which is a tax-exempt organization. In addition, we found numerous administrative errors including the lack of documentation of purchases and signatures from both approving supervisors and card coordinators who collectively are to verify that cardholders are following the guidelines within the Policy and Procedure Manual and the training that is provided. In interviews with card coordinators, some indicated a turnover in staffing caused a lack of record retention.

The current training offered is the same for cardholders, card coordinators and cardholder approving supervisors.

The current training offered on the LMS system is the same training for cardholders, card coordinators and cardholder approving supervisors. The training was not required to be taken by card coordinators and cardholder approving supervisors during 2018 to 2020. Card coordinators and cardholder approving supervisors need to be provided with information and

guidance as to their unique role in the P card process. The system is structured that the cardholder approving supervisor is to verify that purchases are authorized and valid for their department. Card coordinators are to ensure that all documentation is submitted, signed and retained. Given how vital both roles are to providing a check on cardholders, it is appropriate to develop training specific to these roles.

Based upon these findings, we recommend:

9. *Procurement work to design a review process or training program for card coordinators to ensure proper record retention and review of required signatures. Procurement should also design a training program for cardholder approving supervisors to ensure that proper review of purchases at the departmental level is occurring and purchases are appropriate.*
10. *In addition, we recommend that at least once a year Procurement conduct a system wide review to flag any potential inappropriate purchases and seek departmental clarification on questionable purchases.*

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AUDIT SCOPE AND METHODOLOGY

An audit of the Milwaukee County Purchasing Card was requested by the Office of the Comptroller. The scope of the audit covers the period of 2018 through 2020 but may go back into prior years as needed to fully address issues identified during our audit work. In addition, we reviewed the status of recommendations made in previous audits related to these two programs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review to the areas specified in this Scope and Methodology Section. During the course of the audit, we:

- Assessed internal controls relevant to the audit objectives. This included the review of policies, procedures and practices associated with the issuance of purchasing cards and travel cards, purchase transactions using purchasing cards and the oversight and monitoring of purchasing card use, as well as other aspects of the purchasing card program. We offered a number of recommendations in this report where we believe these internal controls could be enhanced.
- Reviewed County Board and Board committee minutes to identify issues, concerns, recommendations, and County Board Resolutions relating to the audit or audit objectives.
- Reviewed Adopted Budget information relating to purchasing and the Procurement Division.
- Reviewed applicable County Ordinances and Administrative Manual sections, State Statutes, and the Purchasing and Travel Card Manual.
- Conducted Internet research to identify studies and audits related to Purchasing Card Audits, national purchasing standards, and Best Practices model programs. Audit also reviewed ALGA website for related information.
- Reviewed prior Milwaukee County audit reports, to identify information relevant to our audit objectives.
- Interviewed the Procurement Department to obtain a clear understanding of how the Purchasing operations are performed specifically related to the request and setup for new cards and the transaction approval process. Also, we obtained the most recent version of the P card policy and procedures manual.
- Interviewed County selected departments participating in the P card program to obtain their understanding of how new cards are requested and setup, training offered and completed, how

card transactions are reconciled signed-off on, and procedures in place to ensure proper retention of card and transaction documents.

- Assessed the significance of internal controls to the audit objectives.
- Obtained and reviewed documentation of user training, proper authorization for new card user-setup, periodic monitoring and or review of departmental use of the purchasing card program.
- Obtained from the U.S. Bank System a file of all cards created for the period 2009 – 2020 in order provide a trend of how many cards were created annually and specifically during the period 2018 – 2020.
- Obtained from the U.S. Bank System a file of all card transactions for the period 2018 – 2020 to conduct analysis and test of card transactions, determine annual transaction activity, and to determine if cards not used in 2018 – 2020 were “open” or “closed”.
- Obtained a list of identified and/or reported abuse of the P-card program and the action taken to remedy these violations.
- Analyzed the population of transactions for 2018 – 2020 to identify “chaining” of transactions to circumvent Chapter 32 discretionary purchasing.
- Performed trend analysis of the P card to provide insight into the number of cardholders per year, the number transactions by cardholder by department, and the dollar amounts per cardholder by department.
- Performed testing to determine if any cardholder held two or more of the same card-type at the same time which is not allowed under the rules stated in the Policy and Procedures manual.
- Utilized the U.S. Bank Transaction data for 2018 – 2020 to determine the amount of sales tax charged to Milwaukee County on Purchasing Cards.
- Performed review on Card users for years 2018 – 2020 were listed as active or terminated employees in the County’s payroll system and analyzed whether terminated employees made card purchases after the date they were terminated.
- Performed reviews on 154 cards created in the years 2018 – 2020 and tested 133 non-pool cards for non-compliance or deviations from the requirements of the Policy and Purchasing manual.
- Compared Racial and Gender Identity for cardholders and card coordinators to the County workforce.



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Exhibit 2

DEPARTMENT OF ADMINISTRATIVE SERVICES
PROCUREMENT DIVISION

Date: February 17, 2022
To: Jennifer L. Folliard, Director of Audits
Subject: Response to Audit of Procurement Purchasing Card Program

The Department of Administrative Services – Procurement Division was asked to provide a response to Audit Services regarding the audit of Milwaukee County Purchasing Card as requested by the Office of the Comptroller. The scope of the audit covers the period of 2018 through 2020 and references the Policy & Procedure Manual for Purchasing/Travel Card's latest version of December 1, 2017.

I have reviewed the findings of the conducted audit and recognize while the audit period occurred prior to my appointment as the Procurement Director, I am committed to implementing the recommendations to evaluate the effectiveness and adequacy of internal controls over the administration, operation, and monitoring of purchasing card activities. Please see my responses in bold to each of the recommendations contained in the audit below:

1. *Procurement implement written procedures to review the cardholder and card coordinator list on at least an annual basis to ensure no cardholder is also functioning as a card coordinator and that the listing of card coordinators is accurate and up-to-date.*

The Procurement Division will implement routine auditing of cardholder and card coordinator to ensure roles are designated appropriately; and include proper documentation when an exception has been approved. Updated procedures will be included within the Policy & Procedure Manual for Purchasing/Travel Card.

2. *Procurement implement written procedures to ensure all training is complete prior to issuance of a purchasing card.*

The Procurement Division currently tracks and monitors when cardholders have been assigned to the role and have completed training. An update requiring the designated employee has complied with completing the required training will be added to the Milwaukee County Purchasing Card Employee Agreement. Additional training will be recommended through electronic communication from the Procurement Division when non-compliance to the purchasing card guidelines occurs. Repeat non-compliance and misuse to purchasing card guidelines will result in the removal and reassignment of the cardholder and may result in further action set by Milwaukee County outlined within the Milwaukee County Purchasing Card Employee Agreement.

3. *Procurement review the current allowable P card limit to determine if it is appropriate to update the existing ordinance to increase the per-purchase limit.*



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The Procurement Division will review the existing ordinance to determine if a revision is necessary to increase per-purchase limits by assessing the instances where credit limit increases were requested from January 2021 through December 2022. A report summary will be provided to departments to validate the accuracy of existing limits. This data will inform the determination to modify credit limits if necessary. The Procurement Division will also review transaction reports semi-annually for recurring charges to ensure appropriate use of the purchasing card and provide recommendations to departments to transition recurring transactions to a price agreement or purchase order.

4. *Procurement review and confirm that the use of an internet payment provider remains an inappropriate use, continue to explore the ability to automatically block internet payment providers in the system and include this item in the training.*

The Procurement Director and designated staff will review the use of internet payment providers to determine the legitimacy of these transactions when considering which providers warrant blocking. The goal for the Procurement Division is to strengthen internal controls to mitigate the potential for misuse and recognizes the concerns of this audit finding.

5. *Procurement establish a process to review potential chaining purchases and provide additional training for both cardholders and card approving supervisors on the prohibition on chaining of purchases to exceed the card limit.*

The Procurement Division will update the Policy & Procedure Manual for Purchasing/Travel Card to include examples of the appearance of chaining transactions. The Milwaukee County Purchasing Card Employee Agreement will also be updated to include explicit language surrounding the employee's understanding of chaining and its disallowance. Additional training will be afforded to individuals when the appearance of chaining exists which may result in the review of the assigned credit limit for increase consideration; in addition to determining if an alternate purchasing option is necessary for recurring charges such as a transition to a price agreement or purchase order. Chaining abuse or repeated misuse of the purchasing card will result in the removal of the cardholder and subsequent action by Milwaukee County as outlined within the Milwaukee County Purchasing Card Employee Agreement.

6. *Procurement continue to stress in its training program and its policy and procedure manual the tax exempt status of Milwaukee County and search for possible solutions via the U.S. Bank system or the County's financial system that would allow for an easier review of sales tax paid.*

The Procurement Director and designated staff can confirm transactions processed at the point of sale when it appears tax exempt status was adhered to is occurring. It has been identified a back-office- system function occurs with vendors when sending additional detail



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to their acquiring bank which then sends that detail to US Bank and has the appearance of sales tax being passed on after the transaction occurs. We continue to work with US Bank to resolve potential discrepancies.

7. *Procurement on establish a documented procedure for departments to request approval to the exceptions to the P card policy and establish written policies and procedure to track when exceptions to the policy are granted.*

The Procurement Division will update the Policy & Procedure Manual for Purchasing/Travel Card to establish written procedures when exceptions to the policy are granted to include monitoring controls and responsibilities of the requesting department designee.

8. *Procurement work with the Community Business Development Partners Division which oversees the Targeted Business Enterprise (TBE) program to inform and assist departments in utilizing TBE vendors when making local purchases on the P card.*

The Procurement Division fully supports the commitment towards Targeted Business Enterprise (TBE) goals of achieving 4% with purchased commodities. To that extent, the Procurement Division is reviewing available options to provide a real-time directory of business enterprises by industry based on historical purchase card transactions. It has been expressed that current tools available are not user-friendly and limitations exist such as education on the marketplace availability of diverse businesses, and system training.

9. *Procurement work to design a review process or training program for card coordinators to ensure proper record retention and review of required signatures. Procurement should also design a training program for cardholder approving supervisors to ensure that proper review of purchases at the departmental level is occurring and purchases are appropriate.*

The Procurement Division agrees additional training will benefit all parties involved within purchasing card activities and will work to design training materials to support controls, transparency, and accountability. An annual review for all parties involved will be provided to departments to ensure compliance to the designated roles. This review may include but is not limited to the following: 1) requests for credit limit and single purchase limit requests, 2) exception requests directed to the Procurement Division after a transaction has occurred, 3) churning concerns, 4) Targeted Business Enterprises (TBE) opportunity, and 5) adherence to timely statement reconciliation.

10. *In addition, we recommend that at least once a year Procurement conduct a system wide review to flag any potential inappropriate purchases and seek departmental clarification on questionable purchases.*

As indicated within my responses to the audit findings, I fully support increasing transparency and accountability with the purchasing card program by 1) updating the



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Policy & Procedure Manual for Purchasing/Travel Card, 2) improve training for all parties involved in purchasing card activities, 3) quarterly reviews of transaction detail reports, 4) quarterly reviews of designated purchasing card roles to capture potential staff transitions, and 5) streamline purchasing activities assuring adherence to applicable ordinance(s).

It is my firm belief that implementing the identified recommendations will ensure purchases comply with Milwaukee County policies and procedures.

Thank you for your recommendations.

Sincerely,

Regina M. Flores
Procurement Director
(414) 278-4137

c: Molly Pahl, Deputy Director – Office of the Comptroller
Bruce Landrum, Audit Manager – Office of the Comptroller
Aaron Hertzberg, Director – Department of Administrative Services
Sherri Jordan, Deputy Director – Department of Administrative Services
Casandra Walls, Administrative Specialist – Procurement Division